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Trade Policy Roundtable

Breaking the WTO *Impasse* over Agriculture

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Hogan & Hartson

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HUGH CORBET, President of the Cordell Hull Institute, was previously at the Woodrow Wilson International Center for Scholars, the Brookings Institution and George Washington University's Sigur Center for Asian Studies. In 1968-89, he was the Director of the Trade Policy Research Centre, London. In 1982-87 he convened, in different parts of the world, eight "informal" roundtable meetings of ministers, senior officials and independent experts that played a significant behind-the-scenes role in building an inter-governmental consensus in support of what turned out to be the Uruguay Round negotiations.

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THE GATHERING in Cancun this week of trade ministers from 146 countries for the World Trade Organization's fifth Ministerial Conference, its highest decision-making body, will have an important bearing on the development of national economies and the world economy as a whole for years to come.

Grasping the importance of the multilateral trading system is not easy – not for the public at large, nor for close observers. It is not even easy for those engaged in the membership's joint administration of the system. The technicalities of the wide array of issues involved are formidably complex.

Ministers have to review progress in the Doha Round of multilateral trade negotiations that were launched in November 2001. But they have to do much more than that. Everyone knows the negotiations are in trouble. Governments have missed one deadline after another in a negotiating schedule they must have thought at one time was realistic.

It is well understood in Geneva that progress in the negotiations will depend on substantial progress being made in setting about, at long last, the liberalization of agricultural trade – which has already been postponed for half a century. Low-cost producers in Latin America, Australasia and other parts of the world, including the United States, have had a guts full of the temporizing of the European Union – as well as Japan, Korea, Switzerland and others – over bringing agriculture into the multilateral trade-liberalizing process.

In the Uruguay Round negotiations of 1986-94 an agreement was reached on a framework for pursuing that objective. It provides for substantial progressive reductions of farm support, border protection and export subsidies and came about as a result of the Cairns Group of smaller agricultural exporting countries holding the feet of the European Union and the United States to the fire.

Spokesmen for the Cairns Group, led by Australia, have repeatedly said that without the substantial liberalization of agricultural trade the Doha Round negotiations “will not be completed”. Recently the developing countries in the Cairns Group, along with India, China and others, have gone further in opposing the position in the negotiations of the European Union and, for the time being, the United States.

So unless the European Union’s negotiators, Pascal Lamy and Franz Fischler, arrive in Cancun with more constructive proposals on agriculture there does not appear to be a snowball’s chance in hell of making worthwhile progress in just five days.

In those circumstances, ministers have to consider rolling over the Doha Round agenda and re-convening either next year or in 2005 to review the situation, in the meantime requiring their officials to continue clarifying technical issues – of which there are plenty.

If Messrs Lamy and Fischler undertake to impress on E.U heads of government the need to re-think their position, it would be well worth the Ministerial Conference reconvening as early as possible next year, in January or February. That would preserve some chance of completing the negotiations on schedule by the beginning of 2005. Without such an E.U. undertaking, however, there is no reason to believe anything much really change in four or five months.

Another ministerial failure early next year would not do governments or the WTO system any good. It would simply convey a message to the media, professional advisers,

business communities and bond markets that governments have again lost control of their trade policies – an indication of protectionist things to come.

On the other hand, if Messrs Lamy and Fischler do not consider it feasible to put the matter to E.U. heads of government, it would be better for ministers to re-convene after the U.S. presidential elections next year to reconsider the Doha Round agenda in the light of what is happening in the world economy.

A year ago Clayton Yeutter recalled, following the Cordell Hull Institute's international roundtable meeting at Airlie House, Virginia, on agricultural trade:

“The most successful of previous rounds of multilateral trade negotiations were those inspired by ambitious objectives. Somehow governments must come together on a range of objectives that are lofty and imaginative enough to generate the political interest, momentum and commitment needed to achieve a worthwhile and durable outcome commensurate with the times.”

Whatever happens in Cancún, given the extent to which expectations have been lowered, an effort must be made soon afterwards to lift sights not only to sustain interest in the Doha Round negotiations but also to maintain the credibility of the WTO system.

Liberalizing international trade is one of the purposes of the WTO system. But just as important is another purpose, the provision of a stable institutional environment, enabling private enterprises to know where they stand *vis-à-vis* their governments, and the governments of other countries, so that they can plan their activities, to expand those that are flourishing and adjust where they are not.

For agreements to liberalize trade to be durable, they must be underpinned by a multilateral framework of rules that is respected by governments, most of all by those of the major trading countries accounting for the bulk of the world economy.

Negotiating bilateral and plurilateral (regional) free trade agreements have their place. But multinational enterprises understand the importance of the multilateral framework of rules, which helps them in making decisions of long-term importance to do with building their businesses, creating jobs and, in the process, contributing to economic growth, development and prosperity.

Generating a political commitment to the success of the Doha Round negotiations has been difficult with media and high-level attention dominated by the Iraq crisis. But with the end of the Iraq War, and the need to carry on the struggle against global terrorism, it is important to focus on promoting recovery in the world economy, restoring multilateral cooperation and alleviating poverty in developing countries by liberalizing trade in agricultural products and labor-intensive manufactures.

For real progress on these fronts, however, it is necessary for trade liberalization and systemic reforms to be pursued on a comprehensive basis, addressing issues of critical interest to industrialized countries as well as developing ones.

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